

Message Text

UNCLASSIFIED

PAGE 01 NEW DE 04460 01 OF 02 221115Z
ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 AGRE-00 PA-02 /098 W
-----082123 221209Z /23

R 220627Z MAR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 354
INFO AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KABUL
AMEMBASSY KATHMANDU
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS SECTION 1 OF SECTION 2 NEW DELHI 4460

E.O. 11652: N/A
TAGS: ECON, IN
SUBJECT: SIXTH PLAN ISSUES

SUMMARY. THE NATIONAL DEVELOPMENT COUNCIL, PRESIDED OVER BY
PRIME MINISTER DESAI AND ATTENDED BY THE CHIEF MINISTERS OF THE STATES,

MET ON MARCH 18-19 TO DISCUSS THE SIXTH FIVE YEAR PLAN (1978-83). THE
NDC APPROVED THE PLAN'S GOALS AND PRIORITIES, BUT NOT THE PLAN ITSELF
BECAUSE OF DISSATISFACTION OVER THE PRESENT FINANCIAL RELATIONSHIP
BETWEEN THE CENTER AND THE STATES. THE COUNCIL WILL MEET LATER THIS
YEAR, AND THE PLANNING COMMISSION HOPES THAT THE PLAN WILL BE
APPROVED BY THE END OF 1978,. SOME OF THE PLAN'S TARGETS,
INCLUDING 4.7 PERCENT ANNUAL GROWTH, ARE MORE REALISTIC THAN IN THE
PAST, BUT PROJECTED PLAN OUTLAYS (RS.1,162 BILLION), ADDITIONAL
RESOURCE MOBILIZATION NEEDED (RS.130 BILLION), AND CREATION OF
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 04460 01 OF 02 221115Z

49 MILLION JOBS ARE FORMIDABLE TASKS. WHETHER THE JANATA GOVER-
NMENT WILL CARRY OUT ITS PROMISE OF MORE ECONOMIC DECENTRALIZATION
REMAINS TO BE SEEN, BUT THE FUTURE EFFECTIVENESS OF THE SIXTH
PLAN DEPENDS PARTLY ON THE ABILITY OF THE CENTER AND THE STATES TO
COOPERATE IN IMPLEMENTING PLAN TARGETS. END
SUMMARY.

2. DRAFT SIXTH PLAN. THE PLANNING COMMISSION HAS PROJECTED AVERAGE ANNUAL GROWTH IN 1978-83 AT 4.7 PERCENT, LOWER DURING THE FIRST PART OF THE PLAN PERIOD AND THEN GRADUALLY ACCELERATING. ANNUAL INCREASES IN AGRICULTURAL AND INDUSTRIAL OUTPUT ARE ESTIMATED AT FOUR AND SEVEN PERCENT, RESPECTIVELY. SIXTH PLAN OUTLAYS ARE PROJECTED AT RS.1,162 BILLION (IN 1977-78 CONSTANT PRICES), APPROXIMATELY 75 PERCENT HIGHER THAN THE FIFTH PLAN. PUBLIC SECTOR SPENDING IS

ESTIMATED AT RS. 693.8 BILLION (APPROXIMATELY RS.430 BILLION FOR THE STATES AND RS.260 BILLION FOR THE CENTER) AND THE PRIVATE SECTOR, RS. 468.6 BILLION. APPROXIMATELY 43 PERCENT OF TOTAL PLAN EXPENDITURES WILL GO TO AGRICULTURAL AND RURAL DEVELOPMENT. THE COMMISSION ENVISAGES THE CREATION OF 49 MILLION JOBS. THE PLAN PROJECTS ADDITIONAL RESOURCE MOBILIZATION OF RS. 130 BILLION AND GROSS EXTERNAL AID FLOWS OF RS. 80 BILLION, BUT FOREIGN ASSISTANCES WILL ACCOUNT FOR ONLY FIVE PERCENT OF TOTAL PLAN OUTLAYS. A BALANCE OF

TRADE GAP OF RS.88 BILLION IS EXPECTED, AND A PROJECTED BALANCE OF PAYMENTS DEFICIT OF RS.12 BILLION DURING THE PLAN PERIOD WILL BE COVERED BY DRAWING DOWN FOREIGN EXCHANGE RESERVES. (COPIES OF THE DRAFT PLAN PRESS RELEASE ARE BEING FURNISHED TO WASHINGTON).

3. OVERALL AGREEMENT ON OBJECTIVES AND PRIORITIES. AFTER THE NDC MEETING, IT ISSUED A RESOLUTION APPROVING THE PLAN OBJECTIVES OF UNCLASSIFIED

UNCLASSIFIED

PAGE 03 NEW DE 04460 01 OF 02 221115Z

REMOVAL OF UNEMPLOYMENT (IN TEN YEARS), REDUCTION IN POVERTY AND INEQUALITY, AND PROGRESS TOWARD ECONOMIC SELF-RELIANCE. THE NDC ALSO APPROVED INCREASED SPENDING ON THE PRIORITY AREAS OF AGRICULTURAL/RURAL DEVELOPMENT, POWER AND SMALL SCALE INDUSTRIES. THE COUNCIL EMPHASIZED THE NEED FOR ADMINISTRATIVE CHANGES TO ENSURE THAT PLAN OBJECTIVES WERE FULFILLED. ALTHOUGH THERE WERE SOME COMPLAINTS AND QUESTIONS ABOUT THE ROLLING PLAN CONCEPT, DEPUTY CHAIRMAN OF THE PLANNING COMMISSION LAKDAWALA TOLD A PRESS CONFERENCE THAT THIS IDEA HAD BEEN APPROVED.

4. DISAGREEMENTS. THE CHIEF MINISTERS AT THE COUNCIL MEETING WERE GENERALLY UNHAPPY ABOUT THE SHORT AMOUNT OF TIME (ABOUT ONE WEEK) THEY HAD TO STUDY THE SIXTH PLAN. MORE SERIOUSLY, THERE WERE NUMEROUS COMPLAINTS ABOUT THE PRESENT FINANCIAL RELATIONSHIPS BETWEEN THE CENTER AND STATES AND THESE ISSUES (DISCUSSED BELOW) BECAME A SOURCE OF POLITICAL CONTROVERSY. AS A RESULT, THE NDC WAS UNWILLING TO FOCUS ON THE PLAN AT THIS TIME AND DID NOT APPROVE THE DRAFT PLAN. INSTEAD, THE NDC WILL SET UP A COMMITTEE TO DISCUSS CENTER-STATE FINANCIAL RELATIONS AND TO REVIEW THE GADGIL FORMULA THAT HAS GOVERNED THE CENTER'S ALLOCATIONS TO STATES SINCE 1969. (THIS FORMULA FOR ALL BUT THREE STATES IS 60 PERCENT OF FUNDS ON THE BASIS OF POPULATION, 10 PERCENT FOR STATES WITH PER CAPITA INCOME

BELOW THE NATIONAL

AVERAGE, 10 PERCENT ON BASIS OF TAX EFFORT, 10 PERCENT FOR MAJOR CONTINUING IRRIGATION AND POWER PROJECTS AND 10 PERCENT FOR SPECIAL PROBLEMS). THE SEVENTH FINANCE COMMISSION NOW STUDYING CENTER-STATE RESOURCE TRANSFERS IS EXPECTED TO PRESENT ITS REPORT AROUND OCTOBER, AND THE NDC WILL MEET AGAIN THEREAFTER. THE PLANNING COMMISSION IS HOPING THAT THE PLAN CAN BE APPROVED BY END 1978 AND WILL SHORTLY ISSUE GUIDELINES TO THE STATES TO FINALIZE THEIR 1978-83 PLANS. BECAUSE OF DISSATISFACTION WITH PRESENT CENTER-STATE ECONOMIC RELATIONSHIPS, APPROXIMATELY 12 CHIEF MINISTERS ARE PLANNING TO MEET IN CHANDIGARH IN LATE APRIL TO DISCUSS POSSIBILITIES OF GREATER FISCAL AUTONOMY FOR THE STATES.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 NEW DE 04460 01 OF 02 221115Z

5. FINANCIAL ISSUES. CHIEF MINISTERS INDICATED THEIR DISSATISFACTION WITH THE CENTER'S FINANCIAL POWERS AND WANTED THE STATES TO PLAY A GREATER ROLE IN MOBILIZING RESOURCES ON THEIR OWN. MAHARASHTRA CHIEF MINISTER PATIL NOTED THAT THE CENTRAL ASSISTANCE TO THE STATES HAD COME DOWN FROM 62 PERCENT OF TOTAL OUTLAYS IN THE FIRST PLAN TO 32 PERCENT IN THE FIFTH PLAN. KARNATAKA CHIEF MINISTER URS COMPLAINED

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 NEW DE 04460 02 OF 02 221154Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-02 AGRE-00 /098 W
-----082576 221209Z /23

R 220627Z MAR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 355
INFO AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KABUL
AMEMBASSY KATHMANDU
AMCONSUL BOMBAY

AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS SECTION 2 OF SECTION 2 NEW DELHI 4460

THAT THE PRESENT BREAKDOWN OF 70:30 BETWEEN LOANS AND GRANTS FROM THE CENTER WAS UNFAIR TO THE STATES. WEST BENGAL CHIEF MINISTER BASU SAID THAT NEARLY TWO THIRDS OF TOTAL FINANCIAL RESOURCES TRANSFERRED TO THE STATES WERE AT THE DISCRETION OF THE CENTER. HE ARGUED FOR CHANGES IN THE CONSTITUTION TO PERMIT GREATER AUTONOMY FOR STATES, BUT DESAI ASSERTED NO CONSTITUTIONAL AMENDMENTS WERE NECESSARY. THE NDC RESOLUTION SAID THAT "FISCAL ARRANGEMENTS... NEED TO BE FURTHER DISCUSSED HAVING REGARD TO THE CONSTITUTIONAL PROVISIONS." SHEIKH ABDULLAH, CHIEF MINISTER OF JAMMU AND KASHMIR, SHARPLY CRITICIZED THE GROWING ECONOMIC INEQUALITIES BETWEEN STATES TO WHICH THE PLANNING PROCESS HAD SUPPOSEDLY CONTRIBUTED. ON THE OTHER HAND, ECONOMIC POLICYMAKERS OF THE CENTRAL GOVERNMENT REPORTEDLY BELIEVE THAT MORE FISCAL AUTONOMY COULD LEAD TO GREATER INCOME INEQUALITIES BETWEEN STATES. A NUMBER OF MINISTERS ASKED UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 04460 02 OF 02 221154Z

FOR REVISIONS IN THE GADGIL FORMULA, PARTICULARLY VARYING CHANGES DOWNWARD IN THE ALLOCATION FOR POPULATION, THERE WAS CONSIDERABLE CRITICISM ABOUT CENTRAL EXCISE TAXES (E.G. THE LATEST INCREASE IN ELECTRICITY RATE). SEVERAL CHIEF MINISTERS ASKED THAT STATES BE GIVEN THE FULL AMOUNT OF MONEY IN WORLD BANK-ASSISTED PROJECTS. FINANCIAL MINISTER PATEL RESPONDED THAT THE JANATA GOVERNMENT HAD RAISED THE STATES' SHARE OF IDA ASSISTANCE FROM 25 TO 70 PERCENT. IN GENERAL HE STATED THAT THE RESOURCES OF BOTH THE CENTER AND THE STATES SHOULD BE LOOKED AT AS BELONGING TO A NATIONAL POOL. HE ALSO NOTED THAT RS.57 BILLION IN LOANS AND GRANTS HAD BEEN MADE AVAILABLE TO THE STATES OUT OF TAX REVENUES OF RS. 89 BILLION IN 1977-78.

6. COMMENT. SIXTH PLAN TARGETS ARE MORE REALISTIC THAN IN THE RECENT PAST, BUT THEY ARE STILL QUITE AMBITIOUS. THERE IS CONSIDERABLE QUESTION WHETHER THE NECESSARY FINANCIAL RESOURCES AND ADMINISTRATIVE CAPACITY CAN BE MOBILIZED. THE TASK OF PROVIDING TEN MILLION NEW JOBS A YEAR WILL BE EXTREMELY DIFFICULT, GIVEN THE RELATIVELY POOR PAST PERFORMANCE OF THE ECONOMY IN GENERATING EMPLOYMENT. THE FISCAL COMPLAINTS OF THE STATES HAVE SOME VALIDITY. THEY ARE MOST ANXIOUS TO KEEP THEIR SALES TAXES AND ARE FEARFUL OF LOSING REVENUES FROM ABOLITION OF OCTROI (TRANSPORT) DUTIES AND INTRODUCTION OF PROHIBITION. THE JANATA GOVERNMENT HAS CLAIMED THAT IT WANTS MORE ECONOMIC DECENTRALIZATION, BUT ON THE OTHER HAND HAS APPARENTLY TIGHTENED ITS GRIP OVER

ASSISTANTCE
PROJECTS OF FOREIGN GOVERNMENTS AND VOLUNTARY AGENCIES.
ALTHOUGH THE GOI HAS GIVEN UP ITS GOAL OF SELF-SUFFICIENCY
(I.E. NO NET FOREIGN AID) IN THE NEAR TERM, EXTERNAL
ASSISTANCE WILL PLAY A RELATIVELY SMALL ROLE IN THE
1978-83 PLAN PERIOD. THE FUTURE EFFECTIVENESS OF THE
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 NEW DE 04460 02 OF 02 221154Z

SIXTH PLAN DEPENDS IN LARGE PART NOT ONLY ON RESOURCE
MOBLIZATION BUT ALSO ON THE ABILITY OF THE CENTER AND
THE STATES TO COOPERATE IN IMPLEMENTING THE PLAN EFFEC-
TIVELY.
GOHEEN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, ECONOMIC PROGRAMS, FIVE YEAR PLAN
Control Number: n/a
Copy: SINGLE
Draft Date: 22 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NEWDE04460
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780126-0116
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780337/aaaabfkv.tel
Line Count: 241
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e15dc1bf-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3239465
Secure: OPEN
Status: NATIVE
Subject: SIXTH PLAN ISSUES SUMMARY. THE NATIONAL DEVELOPMENT COUNCIL, PRESIDED OVER BY PRIME MINISTER DESAI AND ATTENDED BY THE CHIEF MIN
TAGS: ECON, IN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e15dc1bf-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014